

SASKATCHEWAN

ECONOMIC CIRCUMSTANCES AND OPPORTUNITIES

One of a series of staff papers prepared by the federal
Department of Regional Economic Expansion
as a contribution to federal-provincial consultations
on regional development policy in Canada

April, 1973


CAI
ER
-73E11

SASKATCHEWAN

Economic Circumstances And Opportunities

One of a series of staff papers prepared by the federal
Department of Regional Economic Expansion
as a contribution to federal-provincial consultations
on regional development policy in Canada

April, 1973



Digitized by the Internet Archive
in 2022 with funding from
University of Toronto

<https://archive.org/details/31761115545964>

TABLE OF CONTENTS

	PAGE
INTRODUCTION	i
ECONOMIC CIRCUMSTANCES	1
Background	1
The Sixties	2
Projections	19
Social Setting	24
OPPORTUNITIES	27
Introduction	27
Sector Opportunities	29
Area Opportunities	36
EXCERPTS FROM MINISTERIAL STATEMENT	39

INTRODUCTION

The Department of Regional Economic Expansion was established in 1969 to consolidate and strengthen the efforts of the federal government to combat regional disparities and support regional development. The Department carried forward the work of the Prairie Farm Rehabilitation Administration, and the administration of agreements signed under the Agricultural and Rural Development Act and the Fund for Rural Economic Development. The program of the Area Development Agency, which was designed to encourage industrial decentralization, formed the basis for introduction by the Department of a similar but more broadly based program under the Regional Development Incentives Act. Commitments made by the Atlantic Development Board were carried out and a new program of infrastructure assistance was introduced under the "special area" provisions of the Department Act.

In 1972, an internal policy review was undertaken to assess the progress being achieved and, particularly, to provide a basis upon which to meet the challenges of regional development in the mid 1970's. This paper is one of a series prepared as a result of that policy review. Separate papers have been prepared for each province (except for Prince Edward Island), the Atlantic Region, the Western Region, and a region defined for analytical purposes as the Western Northlands. For Prince Edward Island, the Development Plan currently in operation provides the framework and mechanism for joint development of priorities and initiatives and in consequence a separate federal paper is not appropriate. Each paper contains a summary of economic and social circumstances and a discussion of possible areas of opportunity for economic and related social development. Together, they are designed to serve as working papers for consultations with each of the provincial governments which, it is hoped, will result in new and improved approaches to regional economic development.

Regional economic development poses complex problems that vary from period to period and from place to place in Canada. No simple nor single solution is likely to be found. New and more flexible approaches are considered necessary and it is hoped that the discussions with the provincial governments will lead to greater and increasingly more effective federal-provincial action to overcome regional disparities and to encourage economic and social development in the slow-growth parts of Canada.

This paper is meant to be read in the context of observations and suggestions contained in a statement made on April 10, 1973, by the Honourable Don Jamieson, Minister of Regional Economic Expansion, to the Standing Committee on Regional Development of the House of Commons.

Some relevant excerpts from this statement are set out at the end of each paper as an indication of the approach to regional development being suggested.

ECONOMIC CIRCUMSTANCES

BACKGROUND

When the future province of Saskatchewan was bought from the Hudson's Bay Company by Canada in 1870, the land was virtually unoccupied by Europeans. However, the construction of the Canadian Pacific Railway to British Columbia, the federal government's land survey system and homestead policy, the end of free land in the American west, the introduction of early maturing wheat varieties and summerfallow, combined to bring waves of settlers to Saskatchewan.

By 1901, the population totalled 91,000; some 13,500 farms in the province occupied 3.8 million acres. Thirteen years later, the number of farms had increased to an estimated 101,000. World War I brought boom conditions and settlement continued until 1919, when economic recession led to hard times which continued until 1924. Favourable economic conditions then resumed and the province flourished until the Great Depression in 1929.

By 1931, the population of Saskatchewan had risen to 922,000, a ten-fold increase in 30 years. But for the people of Saskatchewan the thirties are associated with drought, grasshoppers, severe soil drifting, incredibly low agricultural prices, tax arrears, foreclosures, relief, frustration, despair, bitterness, and a determination to change the system. The thirties also saw the start of a population decline which lasted from 1936 till 1951.

During World War II, Saskatchewan enjoyed renewed prosperity; there were adequate rains and agricultural products were in great demand. In response, production and prices rose, labour was in short supply and farmers began to consolidate land and to run larger and more mechanized farms. No less important was the feeling given to the people of Saskatchewan that they were participating in the achievement of a national objective. At the time war ended, in 1945, Saskatchewan was still an agrarian province, almost entirely dependent on one crop: wheat.

Saskatchewan entered the postwar reconstruction period full of hope but with some apprehension about a return to the thirties. Although the population had risen to 925,000 by 1961, an increase of 94,000 from the low point registered in 1951, the overall rate of growth was relatively modest resulting in a continuous decline in the province's share of the national population. Farming practices continued to change radically, in the face of continuing labour shortages, higher wages, and a growing cost-price squeeze. Mechanization and farm consolidation trends continued, and improved tillage practices, moisture conservation and weed control measures were adopted. At the same time, new disease-resistant varieties of wheat were introduced.

Attempts were also made to diversify the economy in order to reduce its dependence on a single sector and, indeed, on a single crop. Enormous expansion took place in mining output, largely as a result of major petroleum and uranium finds. The development of potash mining began towards the end of the fifties.

In contrast to mining, there was very little growth in manufacturing: employment increased by only 1,600 between 1946 and 1961, from 11,960 to 13,560. Similarly, growth in other economic sectors was barely visible. This situation was masked in part by major public and private investment and preoccupation in the province's infrastructure and social services systems after 1945. These were essentially completed in the early sixties.

While economic activity in Saskatchewan increased substantially in the late forties, it grew slowly during the fifties. It was not until more favourable national and international economic conditions (particularly major wheat sales in 1961) provided the necessary stimulus that the expansion characterizing the mid-sixties was launched.

THE SIXTIES

In the sixties, the economy of Saskatchewan registered increases in most production sectors. After a very poor year in 1961, the agricultural and construction sectors were strong by mid-decade, but towards the end of the decade the economy had again weakened. The demand for wheat dropped significantly and the Saskatchewan farmer was faced with grain surpluses and low prices for what could be sold. Total net farm income had decreased from \$433 million in 1968 to \$191 million in 1970. Private and public investments in new construction and

machinery decreased from \$964 million in 1967 to \$603 million in 1970 and only regained in 1971 the level achieved in 1964.

In spite of continual production and income fluctuations in the agricultural sector (particularly in grain), Gross Provincial Product continued to increase. But while it grew in absolute terms it declined in relative terms. In the years 1961, 1964, 1967 and 1970 personal income in Saskatchewan declined in both absolute and per capita terms from the levels established in the preceding year.

Structural changes in the provincial economy were taking place rapidly. Net migration from the province averaged just under 12,000 annually and reached a peak of 28,000 in 1970. At the same time, urbanization continued: by 1971, for the first time in the province's history, more lived in urban centres than in rural areas. Saskatchewan, at the end of the decade, had a larger proportion of the population in the older age groups than at the close of the fifties. With falling birth rates, this population configuration is likely to pose some difficult long-term problems for the province.

Saskatchewan enters the seventies with an economy that is principally resource-based, highly capital-intensive, and one that depends in large measure on its mainstay--agriculture--for future performance. There is, however, no possibility that the primary agriculture of Saskatchewan will ever again become labour-intensive. Its production specializations--cereal grains and cattle--are land-extensive and capital-intensive. Virtually each new increment to productivity by technology will be at the expense of labour. Employment in the broad agricultural sector must then be found in the provision of equipment, materials and services and in the processing of products.

Mineral activity is significant, as is oil and gas exploration, but in both cases major finds are urgently required to stimulate further exploration. In any case, while mining activity may add to the Gross Provincial Product, few jobs will be created by this sector. The construction sector is weak, reflecting both the lack of backlog of work in the province and little new private or public expansion in the wings. The cities of Regina and Saskatoon are growing slowly, principally at the expense of other communities in the province, and neither is a dynamic centre of commerce.

Therefore, the people of Saskatchewan enter the seventies with several major problems. The provincial economy required a stimulant if economic growth is to be achieved. The rural areas are quickly becoming depopulated, causing considerable

social dislocation. More and more of the population are in the older age groups. Economic functions are shifting from the province to other centres in the western region as population shifts and new markets develop in the west and there is a widening economic and social gap between the relatively affluent south and the disadvantaged northerners in the province.

Population

Saskatchewan's population increased by less than 2,000 between 1961 and 1971, from 925,000 to 927,000. However, towards the end of the decade it had decreased from its mid-decade level. In 1971 the population of the province was only 8,000 above the level forty years earlier. By comparison the population of Canada doubled in this period. As a proportion of the national total, the provincial share fell from 5.1 per cent in 1961 to 4.3 per cent ten years later. As shown in Figure 1, steady population growth occurred until a peak in 1968 when 960,000 people lived in the province. A slow decline began in 1969, gathered momentum in 1970 and has continued downward in 1971 and 1972. By 1971 the population had fallen to 927,000 and in 1972 to 917,000. The exception to this dramatic decrease has been the major cities (with the exception of Moose Jaw and Weyburn) and northern Saskatchewan (CD 18).

Table 1 shows the age distribution of the population in 1961 and 1971 for selected groupings. Assuming that the economically-active population is composed of the age group 15-64 and that the younger and older segments are dependent on the efforts of the central group, the Saskatchewan dependency ratio was significantly above the national dependency ratio in both 1961 and 1971, and during the decade the gap between the two ratios increased. The proportion of senior citizens increased over 1961 while the 0-14 age group declined to 30.3 per cent, though this was still above the national average. Data for Canada are included for comparison.

TABLE 1
POPULATION AGE DISTRIBUTION
SASKATCHEWAN AND CANADA, 1961 AND 1971

<u>Year</u>	<u>Age Grouping</u>			<u>Dependency</u>
	<u>0-14</u>	<u>65+</u>	<u>15-64</u>	<u>Ratio</u>
	<u>%</u>	<u>%</u>	<u>%</u>	<u>(0-14&65+/15-64)</u>
1961 Sask.	34.0	9.3	56.7	0.77
1961 Canada	34.0	7.6	58.4	0.71
1971 Sask.	30.3	10.2	59.5	0.68
1971 Canada	29.6	8.1	62.3	0.60

Source: Computed from Census of Canada data.

The rate of natural increase in the population showed a continuing decline from 18.2 per thousand in 1961 to 10.0 per thousand in 1971. The annual average over the decade was about 14.3 per thousand.

The birth rate in Saskatchewan declined sharply between 1961 and 1971, from 25.8 to 17.7 per thousand. The corresponding national figures were 26.3 and 17.3 per thousand. In contrast to the foregoing situation, Saskatchewan's death rate rose from 7.6 to 8.0 per thousand over the 1961-71 decade while the national rate dropped from 7.7 to 7.3 per thousand. The rise was because of the older age structure in the province.

As a result of its early immigration waves, Saskatchewan has a relatively diverse cultural heritage with 22.5 per cent of the population reporting a mother tongue other than English or French, compared with a national average of 13 per cent. This figure shows a drop from the 27.1 per cent non-English and non-French speaking population registered ten years before, in 1961. The major heritages represented include German, Ukrainian, Indian (Algonkian, Athapaskan, Siouan) and Polish, as well as English and French. This diversity of cultural

heritage is not limited to the large urban centres but is found throughout the rural areas of the province. By and large, this cultural diversity cuts across the levels of income and does not result in social class distinction along cultural lines. The major exception to this is the situation of the native Indian where cultural background tends to coincide with economic and social disadvantage.

The native population (Status Indians, Métis and non-Status Indians) of Saskatchewan constitutes approximately 8.2 per cent of the total population of the province. It is somewhat unevenly distributed throughout the province; in the north (CD 18), about 50 per cent of the population is of native ancestry. As indicated above, the native population as a whole tends to be located at the lower end of the economic and social scale and constitutes a distinct and disadvantaged group. Solutions to this long-standing problem are actively being sought by the province and the federal Department of Indian Affairs and Northern Development, and by native associations: the Federation of Saskatchewan Indians and the Saskatchewan Métis Federation.

Saskatchewan consistently lost population over the 1961-71 period as a result of net out-migration. For Saskatchewan, net out-migration peaked in 1970 when it reached 28.1 per thousand; 1971 was slightly lower at 24.8 per thousand. The year of lowest loss was 1965 when the rate was 6.8 per thousand. The 1961 figure was 7.4 per thousand. In absolute terms, the 1961-71 net outflow totalled 131,000, a sum equal to 14.2 per cent of the 1971 population. This was slightly greater than the total for all Maritime provinces combined during the 1961-71 period. The net annual average outflow has been 11,920 for the 11 years.

The population loss here over the last decade has been essentially caused by the long-term decrease in farms from 94,000 in 1961 to 77,000 in 1971. This problem has been aggravated by the large numbers of young people coming into the labour force during the late 1960's and by the inability of the resource-based provincial economy to absorb this increase. The province provided opportunities for settlers for the first 30 years of this century, building farms. Many of their children built the cities, and institutions, and provided services. But the economy has not given many opportunities to the generation which is looking for work now.

In recent years, Alberta and British Columbia have been the main destination points for Saskatchewan migrants.

Although Saskatchewan is the most rural province in the west, it is undergoing the urbanization process evident elsewhere. In 1961 the population was 43 per cent urban, and 57 per cent rural. By 1971, it had become 53 per cent urban and 47 per cent rural.

Saskatchewan has two major urban centres, Regina and Saskatoon, with populations in 1971 of 140,700 and 126,400 respectively. Together they accounted for 28.8 per cent of the 1971 total provincial population. Saskatoon grew considerably faster than its chief rival over the 1961-71 period despite the latter's status as the provincial capital, but both cities grew very slowly compared to metropolitan areas in Canada generally.

The other major centres are Prince Albert and Moose Jaw, with populations in 1971 of 28,500 and 31,900 respectively although the latter lost population between 1966 and 1971. Together with Regina and Saskatoon, these centres account for about 36 per cent of the population.

There are seven other urban centres of note in Saskatchewan. In 1971, they ranged in size from 15,400 (Swift Current) down to 5,400 (Melville). Weyburn (8,700 in 1971) actually lost population during the preceding 10 years while Melville's population remained static. The most dynamic centres in terms of relative population growth were Lloydminster (8,700) and Yorkton (13,400).

There are about 18 other centres in the province which play a significant role as agricultural service centres. Table 2 presents selected economic data for the major incorporated centres of Saskatchewan.

Labour Force and Employment

The Saskatchewan labour force increased over the 1961-71 decade from 320,000 to 348,000 at a compound annual average rate of 0.9 per cent compared to 2.8 per cent at the national level. However, since 1969, there has been little growth in the labour force (Table 3).

During the ten years since 1961 employment in Saskatchewan increased from 306,000 to 335,000, a 1.0 per cent average annual rate of increase compared with a 2.9 per cent average rate of increase at the national level. Some significant shifts have occurred due to continued investment and the rationalization of agriculture.

TABLE 2

SELECTED ECONOMIC DATA FOR MAJOR INCORPORATED CENTRES IN SASKATCHEWAN

1960-63--1966-71

	Population		Total Taxable Income		Value of Retail Sales		Value of Mfg. Shipments	
	1961	1971	1963	1969	1961	1966	1960 ^a	1968
							\$M	\$M
Regina	112,176	140,734	194.3	338.8	132.2	188.2	99.2	140.9
Saskatoon	95,564	126,449	141.9	300.4	111.2	165.4	94.4	151.2
Moose Jaw	33,206	31,854	44.3	66.0	50.5	56.1	48.1	41.4
Prince Albert	24,168	28,464	28.5	59.4	28.1	38.9	22.2	33.6
Swift Current	12,186	15,415	19.8	34.3	20.9	32.1	4.9	5.2
Yorkton	9,995	13,430	13.4	29.1	13.6	27.5	5.2	10.3
North Battleford	11,230	12,698	17.4	23.9	18.2	27.8	2.4	2.7
Estevan	7,728	9,150	n/a	21.3	12.5	19.6	n/a	3.1
Weyburn	9,101	8,815	11.9	19.7	13.2	21.6	3.3	1.5
Lloydminster ^b	5,667	8,691	n/a	19.2	10.4	15.9	n/a	0.8
Melville	5,191	5,375	n/a	n/a	6.2	8.6	3.2	2.0
TOTALS	326,212	401,075	471.5	912.1	417.0	601.7	282.9	392.7
TOTAL PROVINCE	925,181	926,242	854.3	1,460.1	734.5	1,046.6	344.8	489.2
Major Centres as % of Province	35.4	43.3	55.2	62.5	56.8	57.5	82.0	80.3

^aValue of production rather than value of shipments.^bWhile Lloydminster straddles the Saskatchewan-Alberta border, its total population is included here.

Source: Financial Post, Survey of Markets, 1962, 1965-66 and 1971 editions; Statistics Canada, Census of Canada, 1966, Vol. I, Incorporated Cities, Towns and Villages, Cat.#92-607, and Census of Canada, 1971: Advance Bulletin, Cat.#92-754 AP-3.

TABLE 3

SASKATCHEWAN'S LABOUR MARKET--SELECTED INDICATORS, 1961-72

Year	Labour Force	Employment	Unemployment	Unemployment Rate			Labour Force Participation Rates							
				Sask.	%	Canada	Total	Male		Female				
								Sask.	%	Canada	Sask.	Canada		
	-	Thousands	-	-	%	-	-	%	-	-	%	-	-	%
1961	320	306	14	4.6		7.1	n/a	54.1	n/a	79.8	n/a			28.7
1962	333	322	11	3.4		5.9	n/a	53.9	n/a	79.1	n/a			29.0
1963	323	313	10	3.2		5.5	n/a	53.8	n/a	78.5	n/a			29.6
1964	331	322	9	2.8		4.7	n/a	54.1	n/a	78.1	n/a			30.5
1965	332	324	8	2.4		3.9	n/a	54.4	n/a	77.9	n/a			31.3
1966	330	324	5 ^a	1.5		3.6	51.8	55.1	75.2	77.8	27.0			32.8
1967	332	326	6	1.8		4.1	51.7	55.5	75.0	77.5	27.4			33.8
1968	342	334	8	2.3		4.8	52.6	55.5	75.5	77.0	28.9			34.4
1969	350	339	11	3.1		4.7	53.3	55.8	75.5	76.6	29.8			35.2
1970	350	334	15	4.3		5.9	53.2	55.8	74.6	76.4	31.2			35.5
1971	348	335	13	3.7		6.4	53.4	56.1	75.5	76.1	30.4			36.5
1972	352	337	15	4.3		6.3	54.1	56.5	75.1	76.2	32.3			37.1

^a Apparent inconsistencies in the table are due to rounding.

Source: Statistics Canada; Labour Force, Cat. #71-001.

With a growing labour force, and few employment opportunities in the provincial economy, Saskatchewan's low unemployment rate in fact reflects the strong pull of opportunities outside the province in British Columbia, Alberta and Ontario. Many of Saskatchewan's younger and more mobile residents followed the established pattern of the previous 30 years and moved out of the province. As a result, the level of measured unemployment in the province stayed well below the national average, but still reached 11-15,000 in the period 1969-71. The unemployment rate was only slightly above the levels of 1961-63, but was almost double the average of 2.0 per cent for the years 1964-68.

A further reason for the lower level of measured unemployment is that labour force participation rates in the province (particularly for women) have been consistently below the national average. This, in part, is a function of the spatial distribution of Saskatchewan's population, but it is also the result of insufficient jobs. By the end of the decade, male rates at 75.5 per cent were within 0.6 percentage points of the national average, and the female rate of 30.4 per cent was 6.1 percentage points below the national average.

Economic Indicators

Although the sixties began dismally, most sectors expanded production during the decade though growth was far from steady. It was a decade in which swings in the Saskatchewan economy were again evident. In 1961, 1964, 1967 and 1970, economic activity in Saskatchewan declined from the level established in the preceding years. The reason, as shown in Figure 1, lies in the importance of the agricultural sector and the extreme variability of farm income, which ranged from a low of \$59 million to a high of \$558 million in 1966. The 1970 and 1971 farm income figures were \$191 million and \$531 million respectively.

Personal income in Saskatchewan rose from the very low level of \$1,084 million in 1961 to \$2,572 million in 1971. A more representative increase was the period from 1962 to 1970 when personal incomes rose by only about \$600 million, a compound annual increase of 3.4 per cent. Growth was uneven, again because of the importance of farm income in the total provincial economy (about 20 per cent over the decade) and its instability (ranging from 5.4 per cent to 31.7 per cent of the provincial personal income) (Table 4).

Figure 1

SASKATCHEWAN 1961-71

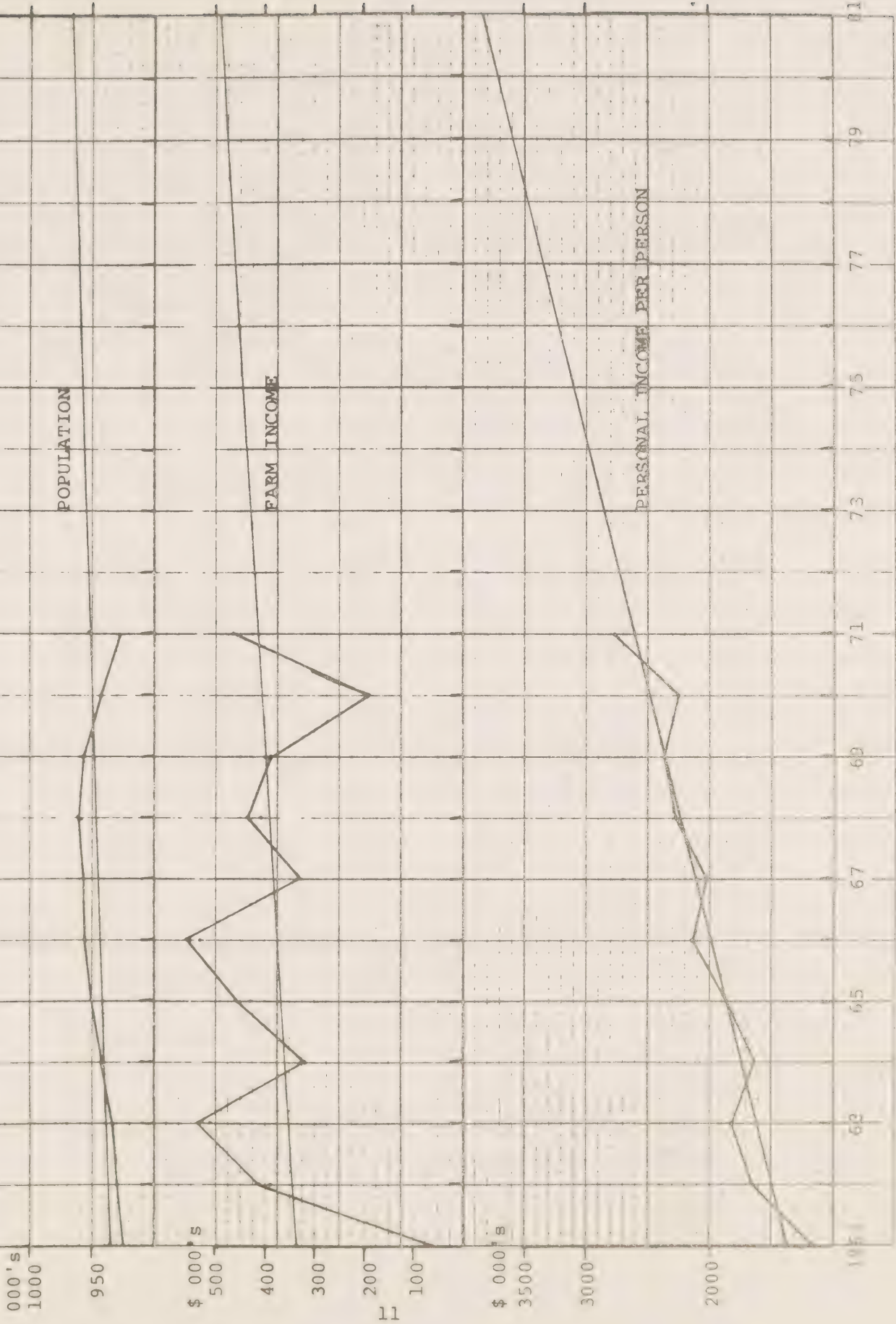


TABLE 4

PERSONAL INCOME IN SASKATCHEWAN--

SELECTED INDICATORS, 1961-71

<u>Year</u>	<u>Personal Income</u> \$ M	Farm Income as a % of Personal Income		<u>Personal Income Per Capita</u> \$ Sask. as a % of Canada		<u>Earned Income Per Capita</u> Sask. as a % of Canada	<u>Government Transfer Payments Per Capita</u> Sask. as a % of Canada
1961	1084	5.4	2.7	1172	71.0	67.8	107.0
1962	1529	27.1	4.2	1644	93.2	92.5	119.4
1963	1686	31.7	4.1	1807	98.2	100.4	100.1
1964	1539	20.8	3.2	1634	84.5	83.5	103.2
1965	1789	25.3	3.5	1883	90.1	90.2	101.5
1966	2047	27.3	3.9	2143	93.1	93.8	100.6
1967	1932	17.1	2.6	2019	81.3	80.6	87.6
1968	2187	19.8	2.8	2278	84.7	83.8	93.4
1969	2272	17.1	2.3	2372	80.6	78.9	92.7
1970	2124	9.0	1.7	2257	72.3	68.6	91.9
1971	2572	18.2	2.0	2778	81.6	79.8	90.9

Source: Statistics Canada, National Income and Expenditure Accounts:
Historical Revision, 1926-1971.

Per capita personal income in the province rose about 140 per cent, from \$1,172 in 1961 to \$7,778 in 1971 (Table 4) but over the entire 10-year period 1961-71, per capita income was below national levels by about 17.1 per cent. While this is a significant discrepancy, were it not for out-migration the margin would have been much wider. Saskatchewan's income levels have declined relative to other provinces as British Columbia, Alberta and Ontario have made major advances. By 1971, the per capita income gap relative to the national average was 18.4 per cent, or \$627--an income disparity exceeded only in the Atlantic provinces.

As one might expect, earned income in Saskatchewan continues to be less than the national average. The gap for the 11-year period was 20.2 per cent, slightly more than the per capita personal income gap. Given the relatively high participation rates and low rates of unemployment, it is evident that during the sixties, the people of Saskatchewan did not work much less than other Canadians, they received less for their efforts.

Furthermore, government transfer payments to individuals, (not government to government transfers), calculated per capita as a percentage of the Canadian average, have fallen over the decade by 16 per cent. By 1971, Saskatchewan people received only 91 per cent of the national average.

Investment in Saskatchewan rose substantially during the 1961-71 decade, but not on a continuous upward path (Table 5). The peak year was 1967 when capital expenditures totalled \$1,200.6 million. Subsequently, investment fell to a six-year low of \$864.2 million in 1970, rising to \$956.9 million in 1971.

Except for 1970 and 1971, Saskatchewan, when compared to the national average, had an above-average investment level per capita. This was largely due to the capital-intensive resource sector, which added a number of new potash mines, a pulp plant and large quantities of new farm machinery to capital stocks during 1966, 1967 and 1968. As a percentage of total investment in Canada, Saskatchewan's already small share of about 5.5 per cent decreased to less than 4 per cent in the last two years.

Primary industries, construction, and utilities accounted for approximately three-fifths of the annual investment; housing, institutional services and government departments a further one-third; and trade, finance, commercial services and manufacturing, one-tenth. Manufacturing investment in Saskatchewan, per capita, was one-quarter the national per

TABLE 5

INVESTMENT IN SASKATCHEWAN--SELECTED INDICATORS, 1961-71

Year	Total Investment ^a \$M	% of Canada	Total Investment Per Capita as a % of Canada	PERCENTAGE DISTRIBUTION OF TOTAL INVESTMENT BY SECTOR										
				Total ^b	Primary Industries & Construction		Housing Institutional Services & Gov't Depts.		Utilities		Finance & Commercial Services		Manufacturing	
					Sask.	Canada	Sask.	Canada	Sask.	Canada	Sask.	Canada	Sask.	Canada
1961	620.2	5.5	109.5	100.0	31.0	15.4	35.8	38.2	23.4	21.6	6.7	9.0	3.0	15.8
1962	683.3	5.8	115.0	100.0	33.2	15.5	36.7	39.2	21.7	19.7	5.7	8.6	2.7	17.0
1963	789.2	6.2	125.6	100.0	38.9	16.2	31.1	38.3	20.5	20.0	6.3	8.6	3.3	16.9
1964	844.4	5.8	118.6	100.0	43.6	16.6	30.4	36.5	18.3	19.8	5.0	8.5	2.7	18.7
1965	971.6	5.8	119.6	100.0	45.9	16.3	30.4	35.5	15.2	19.6	5.8	8.9	2.6	19.7
1966	1153.7	5.9	124.3	100.0	46.6	16.5	28.3	33.9	15.2	19.9	6.2	9.1	3.7	20.6
1967	1200.6	6.0	127.7	100.0	43.9	16.7	27.3	35.0	17.7	20.8	5.0	9.0	6.0	18.4
1968	1193.8	5.8	126.0	100.0	43.0	16.3	28.4	37.3	18.5	21.0	6.2	8.7	3.9	16.8
1969	1012.0	4.6	100.2	100.0	39.5	15.8	31.4	37.1	19.7	19.9	6.5	8.3	2.9	17.6
1970	864.2	3.7	83.4	100.0	35.9	15.6	31.4	35.1	22.1	20.7	6.9	8.8	3.7	19.5
1971 ^c	956.9	3.7	87.0	100.0	35.0	16.5	31.4	37.8	23.9	20.4	5.2	8.2	4.5	17.6

^a Total investment = total new capital and repair expenditures on construction and machinery.

^b Because of rounding, sums may differ from totals given.

^c Preliminary actual data.

Source: Canada, Department of Industry, Trade & Commerce & Statistics Canada, Private and Public Investment in Canada, Outlook and Regional Estimates, SC Cat. #61-205, various issues.

capita average; this is one indication of the few opportunities seen in Saskatchewan by the private sector.

Tables 6 and 7 show the net values of production in the goods-producing sectors of the Saskatchewan economy during the 1960's. Table 6 shows the proportional distribution of value added by industrial sector for the province and Canada in 1961 and 1970. Table 7 summarizes the net value of production for the province in dollar terms and relates percentage increases in Saskatchewan to the Canadian economy as a whole during the nine years from 1961 to 1970.

The net value of production of the goods-producing sectors in Saskatchewan increased by 80 per cent during this period, growing from \$767.5 million to \$1,381.9 million. During this same period the nation's net value of production increased by 93.5 per cent. All sectors of the Saskatchewan economy grew. The greatest percentage growth was in agriculture, forestry and electric power generation, each of which increased by between 90 per cent and 110 per cent. By value, increases in agriculture, mining, construction and the manufacturing sector (valued at \$200 to \$600 million) dominated.

The distribution of net value of production by sector within the Saskatchewan economy changed little over the decade. The province became more specialized in agriculture. There were reductions in construction, mining and manufacturing.

Table 8 compares the fiscal capacity of the four western provinces for the fiscal years 1963-64 and 1971-72, in relation to a base of all Canadian provinces.

The per capita revenue capacity for the 10 provinces together increased from \$173 in 1963-64 to \$454 in 1971-72. Despite this substantial per capita increase, the relative positions of the 10 provinces did not change significantly. Nevertheless, Saskatchewan, because of its large agricultural sector, had wide fluctuations in its revenue capacity.

In 1963-64, Saskatchewan's per capita revenue capacity was \$184; in 1971-72, it stood at \$396. As an index, these figures represented 106 per cent and 27 per cent, respectively, taking the all-province average as 100. The figures fluctuated considerably from year to year but over the period showed a downward trend.

TABLE 6
STRUCTURAL CHANGES,
SASKATCHEWAN AND CANADA, 1961-70

<u>Sector</u> ^a	<u>Net Value of Production</u>					
	<u>S a s k a t c h e w a n</u>			<u>C a n a d a</u>		
	<u>1961</u> %	<u>1970</u> %	Change In Relative Weight Of Industry, <u>1961-70</u>	<u>1961</u> %	<u>1970</u> %	Change In Relative Weight Of Industry, <u>1961-70</u>
Agriculture	36.2	42.9	+6.7	9.7	8.0	-1.7
Mining ^b	23.8	23.0	-0.8	9.4	10.9	1.5
Construction	19.7	14.3	-5.4	15.2	17.3	2.1
Manufacturing	14.8	13.9	-0.9	56.9	56.5	-0.4
Electric Power	4.7	5.1	+0.4	4.6	4.8	0.2
Forestry	0.5	0.5	0.0	3.6	1.9	-1.7
Fishing	0.2	0.2	0.0	0.0	0.0	0.0
Trapping	<u>0.2</u>	<u>0.1</u>	<u>-0.1</u>	<u>0.6</u>	<u>0.6</u>	<u>0.0</u>
TOTAL GOODS- PRODUCING	100.0	100.0	0.0	100.0	100.0	0.0

^a Ranked by size of net value of production or value added in Saskatchewan in 1961.

^b Derived from preliminary data.

Source: Computed from Statistics Canada, Survey of Production, 1970, Cat. #61-202.

TABLE 7
 OUTPUT GROWTH IN SASKATCHEWAN
 BY INDUSTRY, 1961-70

<u>Sector</u> ^a	<u>Net Value of Production</u>			
	<u>S a s k a t c h e w a n</u>			<u>C a n a d a</u>
	<u>1961</u> \$million	<u>1970</u> \$million	<u>% Increase</u>	<u>% Increase</u>
Agriculture	277.7	593.2	113.6	60.6
Forestry	3.6	7.1	97.2	2.5
Electric Power	36.2	70.9	95.9	102.9
Mining	182.4	317.6 ^b	74.1	114.7
Manufacturing	113.3	192.0	69.5	92.1
Fishing	1.4	2.1	50.0	84.3
Construction	151.4	197.3	30.3	119.8
Trapping	<u>1.6</u>	<u>1.8</u>	<u>12.5</u>	<u>12.8</u>
TOTAL GOODS- PRODUCING	767.5	1381.9 ^b	80.1	93.5

^a Ranked by size of percentage increase in Saskatchewan over the 1961-70 period.

^b Preliminary.

Source: See Table 6.

TABLE 8

COMPARISON OF REVENUE CAPACITY AND TAX EFFORT

FOR SELECTED YEARS 1963-72

(Tax Indicator Approach)

	1963-64				1971-72			
	INDEXES		INDEXES		INDEXES		INDEXES	
	Per Capita Revenue Capacity \$	Per Capita Rev.-Cap. %	Tax Effort -	Per Capita Revenue Capacity \$	Per Capita Rev.-Cap. %	Tax Effort -	Per Capita Rev.-Cap. %	Tax Effort -
Manitoba	152.76	88.3	84.4	404.07	88.9	98.4		
Saskatchewan	184.03	106.4	114.0	396.14	87.0	97.0		
Alberta	275.13	159.0	79.6	624.60	137.5	79.2		
British Columbia	216.59	125.2	107.9	547.03	120.0	93.2		
ALL PROVINCES (10 Provinces)	173.00	100.0	100.0	453.92	100.0	100.0		

Sources: 1. Lynn, James H.: Comparing Provincial Revenue Yields, Canadian Tax Foundation, 1968.

2. Department of Finance (Mimeo 1971).

3. Computations by Department of Regional Economic Expansion.

Saskatchewan's tax effort, as an index, was 114 per cent in 1963-64 and 97 per cent at the end of the period.

The social service system in Saskatchewan is generally good and is under fairly constant review. Health services are above average with 7.2 hospital beds per 1,000 population and slightly more doctors per 1,000 than the national average. The educational system is at about the national average and urban and rural people have relatively equal access to educational facilities and programs. The housing stock is generally satisfactory except in rural areas and the north.

The northern area is an exception to this generally good picture. In the northern sparsely settled part of the province, there is a problem with respect to delivery of services. The Saskatchewan government is now seeking to change this through its new Department of Northern Saskatchewan.

PROJECTIONS

What will the future be if Saskatchewan continues along the path it has been on for the past decade? This section attempts to comment on and forecast some of the current trends in the Saskatchewan economy. It is assumed that most economic forces will not change dramatically, that existing federal and provincial policy mixes will remain broadly the same, and that no major new factors will appear in the near future. This section does not describe what should or could be made to happen--that is the subject of some of the following parts of this paper. This section merely attempts to suggest what might happen if existing trends and policies remain essentially unaltered. Of course, the basic approach to development inherent in subsequent parts is to shift the trends so that the negative aspects of what might happen will not in fact occur.

Agriculture will remain the core of the Saskatchewan economy during the seventies, and wheat by far the dominant contributor to farm cash income. In line with current provincial and federal initiatives, however, attempts will continue to be made to diversify this sector of the economy so that farmers' incomes and the provincial economy are not so dependent on cereal grain production.

Such a thrust recognizes that the demand for protein, particularly animal protein, will continue to rise and that livestock production and feed grains will increase in importance to the prairie economy.

It is probable that several other changes already in evidence will continue to gain momentum. The value of commodity output from agriculture, which in 1971 was \$1,111 million, will continue to increase because of rising production levels, and increased prices (especially in North America--Saskatchewan's major livestock market). Similarly, capital stock in agriculture, which now stands at \$5 billion in current dollars, will increase significantly by 1981. Commercialization will continue as farmers specialize and purchase a larger proportion of the goods and services needed for the farm. Productivity per acre and per man hour will increase as further capital investments are made, as farms become more capital-intensive, and as specialization of production occurs.

There are still economies of scale to be exploited, particularly in the parklands. The average size of farm, which in 1971 was 845 acres, could well expand to 1,260 acres in prairie areas and will be only slightly smaller in the parklands. Again, while fewer farmers may have livestock in 1981 compared to now, those who do will have many more than the average in 1971. The number of farm units in the province will continue to decrease, probably levelling off fifteen years hence at about 60,000 units.

Many farm units will employ more than one person in 1981, so that the number employed in agriculture will be somewhat above 60,000. In the absence of other activity, and as farm numbers decline and producers travel further for supplies, a number of rural commercial and public services will fall by the wayside. Though farm income will be more stable by 1981, in many cases it would, in the absence of government transfer payments, remain in a relatively depressed state. Recapitalization of agriculture from one generation to another will be difficult. Notwithstanding these problems, the family farm, not company or co-operative farms, will be the dominant form of farm organization. It will become more difficult for anyone other than relatives of established farmers to enter agriculture. Therefore farms will generally be transferred from one generation to the next with a large part of the capital written off. Consequently, the return to total capital in agriculture will appear low.

Employment in freshwater fishing within the province in 1970 was about 2,150 workers. Though fishing does not often provide full-time employment it does form an important source of income for residents, especially native people in the north. In 1970 the net value of fish products within the province was \$1.8 million and 11.7 million pounds of fish were taken from the lakes. Demand for the catch should be

strong in a world where protein of any form is obtaining higher and higher prices. Growth will be limited because of supplies of fish and competitive alternative income opportunities (earned and transfer payments) for local fishermen. It is to be expected that 15 million pounds of fish will be taken from Saskatchewan lakes by 1977, as transportation improvements open new lakes for commercial fishing.

The forestry resources of the province are limited by land use and growing conditions in the south, and slow growth rate and accessibility in the north. The productive forest area is approximately 27 million acres, the smallest in the western provinces, but larger than any of the Atlantic provinces. Merchantable timber is estimated at 20,171 million cubic feet. Merchantable sections of standing timber will sustain extensive expansion into dimension lumber, veneer and pulp. The net value of production in the province between 1961 and 1970 increased from \$3.5 to \$7.1 million. An estimate of the value added of the logging, wood, sawmill, paper and allied industries in 1970 in Saskatchewan is roughly \$40 million.

The prospects in the forestry industry have in recent months picked up as the U.S. economy recovers from the slowdown of the last few years. The demand for newsprint, other paper products, and wood products, is rapidly increasing and prices for these commodities reflect rising cost as well as supply rationing. It is more than likely that local production will rise to meet additional requirements and that new opportunities will be present now that Saskatchewan has become better established in the forestry sector.

Employment in the Saskatchewan mining industry is forecast to increase during the decade as several new developments reach the production stage and potash markets expand. Generally, the forecast is that expected new additions to employment from mining will be less in the seventies than the sixties. Value added from mining in the province has been approximately \$300 million in recent years and little growth has taken place since the mid-sixties. Growth in the seventies is largely dependent on the two major mineral products--crude petroleum and potash--followed distantly by copper and uranium.

Despite its current position as a dominant oil and natural gas province, Saskatchewan is not an energy-rich province. Proven oil reserves are estimated to disappear within 10-15 years at existing extraction rates.

Potash mines are currently operating at about 45-55 per cent of capacity. By the end of the decade, they are expected

to increase production to 80 per cent of capacity. Growth in the potash industry in Saskatchewan is expected to be orderly and steady.

The demand for uranium should improve over the decade and additional output from Eldorado at Uranium City and the new Rabbit Lake mine will be required. The current outlook for copper and base metals generally is weak but the possibilities of new finds in the Precambrian area remain good.

At the present time there is only very limited processing of mineral commodities in Saskatchewan. Copper and zinc concentrates from Saskatchewan are smelted at Flin Flon (Manitoba) and uranium concentrates are processed at Port Hope (Ontario). There is no reason to believe that any change in this situation is likely in view of the quantity of mineral involved. Potash does not offer any further processing opportunities because it is a final product in itself. It is mixed with other products (e.g. ammonium sulphate, urea, etc.) to make commercial fertilizers, but this blending operation is usually carried out close to the market.

Based on the Census of Manufacturers, total manufacturing employment reached 14,800 by 1971. This was an increase of approximately 2,000 from 1961 but little increase has taken place since 1964.

The largest component of manufacturing in Saskatchewan has been purely local industries. New employment during the sixties in this area has been almost static, and if the population of the province continues to decline, local market manufacturing is likely to decrease in the seventies.

Manufacturing, which is resource-based but is for predominantly local markets, almost doubled during the sixties; growth in the seventies is expected to be less impressive. Employment in resource-based export-oriented manufacturing declined during the sixties. Some minor reversal of this trend could be expected in the seventies. Market-oriented industrial manufacturing increased in the sixties. It is associated with increases in the value of commodity production and as such is expected to continue to increase in the seventies.

Value added in manufacturing increased during the decade by about \$80 million. Increases of about the same magnitude could be expected in the seventies.

The outlook for capital investment does not give rise to optimism for the construction industry. Housing continues to

be in demand as population shifts in the province take place and the housing stock is improved. This demand will also be stimulated when the provincial government begins to assist with a housing program in Saskatchewan communities. However, with little growth in the population, it is doubtful that this aspect can be a significant growth factor for many years.

A comparison of the value of construction work performed in the period 1963-65 with that in 1969-70 indicates that total construction in the province has been about \$500 million in each period. Half has been in building construction and the other half in engineering construction. Total Saskatchewan construction as a percentage of the prairies and nationally has decreased. A continuation of this trend is likely in the seventies.

Saskatchewan possesses substantial long-term energy resources, particularly lignite coal. The demand for energy, especially electric power, has been increasing at about 10 per cent annually, although this dropped to 7.2 per cent in 1971. It is expected that future annual increases through the next decade will be approximately 8 per cent. Future development of electric power over the next 10 to 15 years may be the development of hydro sites on the Churchill and Saskatchewan rivers, Elizabeth Falls near Fond du Lac, thermal generating stations, and the purchase of power from Manitoba. The number of permanent jobs which will be created, however, is not large although construction employment will be significant as plants are built.

The activity-related industries such as transportation, communications and trade will generally grow in response to real increases in the GPP.

The transportation sector in the province will undergo changes. There will be continual rationalization, particularly of rail lines, in the south. In the north, improved transportation, principally road and air, will occur. On balance, over the decade little additional employment will occur. Some increase in trade may occur as Regina and Saskatoon capture some of the service market if Winnipeg's strength as a major western centre continues to weaken. Offsetting this possible increase is a shift of economic activity to Ontario, Alberta and British Columbia.

Saskatchewan has been beset by a number of pressing economic problems. By the end of the sixties, the steam of the earlier years had largely been dissipated. Certainly, in a relative sense, the growth performance of the Saskatchewan economy in the sixties was the poorest of all the Canadian provinces. The economy in the early seventies has begun an upswing as the country worked its way out of its large grain surpluses and as the potash industry continued to improve.

However, population in the province continued to fall. From its present level of 917,000, a drop to about 890,000 in 1981 would not be unexpected. Employment in the province is presently at 335,000 and, based on current trends, it is expected to be between 326,000-355,000 by 1981.

If the rate of net out-migration of the last decade were to be reduced by one-half, the population would increase to 944,000 by 1981, and 50,000 new jobs would be needed. This is about triple what the Saskatchewan economy is likely to generate in the absence of major new policy initiatives.

If current trends continue, Saskatchewan's major industry--agriculture--will continue to undergo long-term adjustment. Prosperity in the province will be variable and continued large swings in per capita income can be expected. People will leave rural areas, and jobs for young people will be scarce even in the cities. Heavy net out-migration will become commonplace. New investment will not be great. The fiscal position of the province will grow slowly and the province could enter a secular decline tending to become self-reinforcing.

SOCIAL SETTING

In Saskatchewan, the open society common to the west finds particular expression in the concern for social equality. People are judged as individuals, yet nevertheless there is a strong sense of community. This is due to some degree to the physical environment of the province which even Saskatchewan residents admit is sometimes difficult. Yet the environment is relatively unspoiled and remains something to enjoy, a unifying bond which offers its residents a unique life-style.

A rural life-style is the norm even in the urban centres. People are expected to work hard and be straightforward, and physical labour, far from being frowned upon, is regarded as a virtue. Urbanization of Saskatchewan's population is taking place but there is concern that the major urban centres should not overwhelm the smaller centres of the province and denude rural areas. Yet there is also realization that changes do have to take place and that a new social and economic environment must be built.

Saskatchewan people are tired of adjustment and want economic growth and stability. They wish to provide for themselves and influence their economic destiny through political, economic and social organizations which are controlled by and responsive to Saskatchewan citizens. There is a strong belief

in the benefits of widespread public participation and opportunities for this participation are abundant. A look at the origins of much of the economic activity in the province reveals that major developments were based on the actions of senior governments, or co-operatives or because the entrepreneur had roots in the province.

When all is said and done, Saskatchewan would like to enjoy stability and strives for it. At the same time it is outward looking and strives to be a leader in certain aspects of Canadian society: to build facilities and institutions not only to serve its own people but to be a leader among other Canadian provinces and beyond. Provincial residents expect and would welcome more active federal participation if it would substantially help to tackle the major economic and social problems of the province.

In considering opportunities for development in Saskatchewan, it is necessary to take into account the difficult economic situation, the denuding of its rural areas and the weakness of its cities. The development approach should include as an explicit objective the strengthening of the whole economy including the realization of necessary opportunities for employment and income in the major urban centres, in the rural areas and in the north.

OPPORTUNITIES

INTRODUCTION

As indicated in the review of current economic circumstances, the economy of Saskatchewan has a number of weaknesses: below national average levels of personal income; heavy dependency upon capital-intensive resource activities; slow rates of growth in job creation; depopulation of the rural areas and weakness in the cities; net out-migration; declining population; major social and economic problems in the north compared to the south; and a weakened fiscal base.

Saskatchewan's position when compared to the national average is weak and deteriorating, a statement which also holds true for its position within the west. Alberta and British Columbia appear likely to surge ahead in the seventies, and Saskatchewan will further find itself on the periphery; more and more a part of a vast eastern hinterland, being served by the commercial centres of Vancouver, Edmonton and Calgary.

Saskatchewan is not a province where new development opportunities are easy to come by. As indicated above, the province is on the edge of development and lacks economic access to any substantial market. If these trends described earlier are to be altered, Saskatchewan must earn her share of western Canadian, northwestern U.S. and Pacific Rim markets. To achieve this, strengthened economic roles must be developed in the province.

If there is to be a balanced and dynamic west, efforts must be made by the federal and provincial governments to bring it about. Such efforts would recognize that some of the developing economic trends in the west, especially in Saskatchewan and Manitoba, may not be in the national interest.

Given such development efforts by the federal and provincial governments, Saskatchewan could become the geographic centre of a growing region. Economic opportunities then open to the province would be very different from those which would exist if Saskatchewan remained peripheral to population concentrations in British Columbia and Alberta, and separated from activity east of Sault Ste. Marie. It would then be able to earn its share of expanding regional income and employment opportunities. These opportunities would help stem the flow

of migrants from the province, generate a more balanced growth of population and economic activity in the west and reinforce economic ties between the eastern and western parts of the west, northern Ontario and the rest of Canada.

The range of economic opportunities available could be substantial. There would be increased demands for many products and services: supplies and material for resource development; machinery and equipment for processing and manufacturing; consumer durables and non-durables for a growing population; transportation, warehousing, and distribution services for manufacturers and distributors; and commercial, financial and personal services for a more prosperous and dynamic population.

The degree to which opportunities can be realized depends to a large extent on the broad policy framework within which the development efforts and initiatives will operate. For example, transportation costs and quality of service may be essential elements in any action to improve the processing, income and employment content of agricultural-oriented activities in the prairie provinces. Any development approach must therefore take account of a range of factors and policies affecting them and determine to what extent they act as constraints on the development process and, if they are constraints, how they can be modified.

In the context of balanced growth in the western Canadian economy, combined efforts of the provincial and federal governments could be carried through by working with the private sector to pursue major economic opportunities which would generate employment and income opportunities throughout Saskatchewan and improve, in both absolute and relative terms, the performance of the provincial economy. In such efforts it would be essential to build upon both the urban and rural strengths of the province by increasing the size of Regina, Saskatoon, secondary centres and large towns in the province to ensure that Saskatchewan has communities which can relate to other larger cities in the western region; and by stimulating agricultural development and providing off-farm employment opportunities in smaller centres to encourage a vibrant rural community throughout the province. Given the extent of economic and social disadvantage now experienced by much of the northern area of the province, specific efforts would be required to increase the opportunities for people native to northern Saskatchewan so that they can benefit from current and future economic development.

SECTOR OPPORTUNITIES

If a substantially increased effort were made to develop a balanced and dynamic western region in association with a more vital northern Ontario, and given recognition that national and provincial policies must be co-ordinated to achieve this goal, the range of economic opportunities open to Saskatchewan could become much different from that facing it now.

The manufacturing sector could be broadened and diversified to generate substantial new employment. This could be done through increased resource processing for national and world markets; through production of goods presently imported for the regional consumer and resource developments market; and through production of high value goods for domestic consumption and export.

Opportunities change over time with changing demands both in Canada and its trading partners, with changes in technology and changing patterns of development. To achieve a significant impact upon economic development in Saskatchewan the process of identifying and pursuing opportunities must be continuous and flexible. The process should tie Saskatchewan into the nation and the region. In this part of the paper some possible areas of opportunity are explored as examples of what could be potentials if such a process were pursued. Some of the examples may prove to be achievable, others may not, but sufficient analysis has been done to indicate that the process could be productive and that the examples are worth exploring.

Throughout the west, in the seventies and eighties, there will be a large market for a variety of steel-based products. Such products are needed for growth in resource development, construction, oil and gas expansion, for agriculture, forestry and mining. If these demands are not met by additional metal-working industries in the west, most supplies will come from other countries. There is no significant primary steel production in western Canada. It may be possible for a facility of perhaps 1-1.5 million tons annual capacity to be established in Saskatchewan. As a supplier of essential inputs into resource development and processing, the province's growth rate would be tied more closely to the dynamics of the west.

The nucleus for a venture already exists in the highly successful, joint government and private Interprovincial Steel Corporation (IPSCO) in Regina. Currently IPSCO is western Canada's largest steel producer and the only western manufacturer of flat rolled steel products including sheet, sheet and plate. IPSCO is also the only pipe producer in western Canada with complete facilities for the production of both steel and pipe. The company currently employs about 1,400 personnel.

IPSCO's ingot capacity of 300,000 tons annually will be increased to 470,000 tons this year with the installation of a fourth electric furnace. The rolling mills, with a present annual capacity of 500,000 tons are capable of producing one million tons through the addition of a second motor generator unit. Its rolling mills can produce sheet and plate to a width of 72 inches and a thickness varying from .500" to .060". Its pipe division includes four pipe mills, a structural mill and casing facilities. In the 3 1/2" to 16" diameter range the mill capacity is 90,000 tons a year. The 2 3/8" diameter pipe mill has a yearly capacity of 20,000 tons. The most recent installation (comprising two mills) produces large diameter spiral weld pipe in diameters from 16" to 80". The spiral mills have an annual capacity of 96,000 tons. The structural mill has a capacity of 25,000 tons a year and the casing line, a yearly capacity of 12,000.

IPSCO was first in Canada with the thin wall concept; high frequency welding; field stocks and right-of-way deliveries; triple random and 80 foot lengths; electric furnace steel for high grade pipes; and also first in Canada to perfect sour gas specifications in ERW pipe. It was the leader in North America to supply API spiral weld pipe and first in the world to supply X-70 grade large diameter pipe. This latter innovation provides significant savings in future pipelines and is of particular interest for Arctic conditions.

The company has recently purchased the facilities of the former Canadian Phoenix Steel and Pipe Company, so that it now has plants in Alberta and British Columbia.

Studies suggest that a steel plant at Regina has a transportation advantage in a western region market. IPSCO is in the geographic centre of a market area which now includes all of western Canada, the Territories and south, covering the northern states from the Mississippi River to the eastern Rocky Mountains.

In the medium term it appears possible to speed up expansion into more rolled steel and pipe which will otherwise take 10-15 years, and in so doing preserve IPSCO's already existing western Canadian markets and capture some of the market which will result from new investments in resource development throughout the region. Steel and metal fabricating industries could result in a capital investment of \$200-\$250 million and upwards of 3,500 new jobs. Much of this investment and many new jobs would probably be located in Regina and Saskatoon but some could be in such centres as Moose Jaw, Weyburn, and Prince Albert.

IPSCO's present production capacity is strained. It could add a reduction mill at a capital investment of at least \$16 million, providing 100 jobs; a new spiral weld mill (\$2.5 million) and furnace (\$1.5 million) providing a further 175 jobs. A cold roll strip mill would require a further \$2.5 million and create about 100 jobs.

In addition to scrap metal, iron ore concentrate or pellets would be required for expansion. Iron ore could come from one of three locations: Choiceland, Saskatchewan; Dillon, Montana; or Steep Rock, Ontario. Limestone deposits would be mined at Sturgeon Lake; bentonite obtained from a deposit at Truax; lignite coal or natural gas deposits developed at Willowbunch; an explosives plant in Saskatoon or Prince Albert; and a gas scrubbing plant at Assiniboia and/or Beacon Hill. The capital investment in these would be upwards of \$10 million and would involve a further 200-300 jobs. Alternatively, if western Canadian coal were to penetrate Ontario coal markets through the use of unit trains, the chances for a backhaul of iron ore from northern Ontario would be excellent.

IPSCO then would be able to expand into cold roll, bar and plate and could supply steel for a possible foundry which could, perhaps, be located in Saskatoon to serve the pulp, potash and oil and gas industries as well as agricultural machinery facilities, machined parts and steel fabricating plants.

In 1967, for example, total consumption of metal fabricated goods in Saskatchewan was \$82 million, of which two-thirds was imported. In some individual industries within the group--such as machine shops, heating equipment, wire and wire products, boiler and plateworks--there was little or no manufacturing in Saskatchewan.

Particular opportunities now appear possible in machine shops, sheet metal products, wire and wire products and heating equipment. These new developments might be closely tied to the urban centres of Regina, Saskatoon, Moose Jaw and Prince Albert. Employment over the next five years could amount to 500-800 people. This would probably come about by existing firms expanding their output and/or adding new product lines and new plants with an investment of about \$10 million.

The machinery industries, particularly the agricultural implement industry, experienced a significant growth over the sixties. Their market is expanding and has broadened with the development of the potash industry.

In 1967, there was a \$67 million market for machinery in Saskatchewan of which 91 per cent was supplied from outside the province. The agricultural implement industry market in the province was valued at \$37 million during that year. In 1971 farm implement sales in Saskatchewan had risen to \$88.4 million.

Saskatchewan has already made a start in the development of a short-line farm equipment. There are further opportunities of this nature, although these will also be sought by manufacturers in Manitoba, Alberta and the U.S.A.

Saskatchewan could specialize in short-line equipment and market these directly or through contracts with existing long-line machinery companies. Markets would be found locally and in southern Alberta, western Manitoba and the northern great plains states across the line. Present expectations are that there may be 4,000 new jobs available across the prairies by 1980 in this industry. Saskatchewan has an opportunity to capture up to 1,000 of these.

If this industry is to develop and create new jobs, positive action will be required. Many existing firms more or less fell into manufacturing farm machinery. An idea leads to developing a machine or making some modification in an existing machine to meet local requirements. Capital for expansion and time for further research, development and marketing are usually lacking. A special government sponsored short-line farm machinery development group could be established to pursue new market opportunities, new product development, help with plant expansions and arrange for further research and development in the industry. Such a group might be located in Saskatoon and made part of the Saskatchewan Research Council. It would also work closely with Industry, Trade and Commerce and a proposed prairie farm machinery testing laboratory which might be centrally located in Saskatoon. This testing facility, with satellites in Alberta and Manitoba, would not only be helpful to prairie farmers, but could be exceedingly useful to local industry attempting to develop machinery geared to the particular needs of the prairies.

Additional longer-term opportunities may also be possible in the steel industry and products closely related to it. Vast demand will be generated by resource developments in the west and by the growing population. Heavy industry, located in Saskatchewan, would be able to service those demands from a central location.

A second major opportunity appears to exist in a wood-based products complex. Substantial growth in the region will expand already significant demand for lumber, furniture and

other wood-based products. In addition, expanding export markets exist in the United States for wood-based construction materials. The maximum economic potential of this renewable resource sector could be achieved by the adoption of an approach which would integrate wood utilization. Possibilities exist for three new sawmills, and improvements to two others; for new plywood, veneer, waferboard, crate and box plants; and for corrugated and paper box plants. These new plants would be located in the north of the province probably in the vicinity of Prince Albert, Meadow Lake, or Hudson Bay. The complex would create about 1,100 jobs and require a capital investment of upwards of \$20 million.

An alternative method of organizing the forestry industry in Saskatchewan would be to concentrate investment in one urban centre, such as Prince Albert. The advantages of centralization involve economies of agglomeration and the spin-off effects that would accrue to the urban centre. Substantial increased costs might occur as a result of longer transport hauls for raw materials.

Saskatchewan timber resources are probably sufficient to sustain an additional pulp mill using poplar, spruce and pine chips from sawmills, plywood and veneer plants. Such a development would represent investment of about \$100 million and generate about 450 plant jobs.

The above-mentioned projects would fully utilize those timber resources in economically accessible areas of the province. With the development of a wood-based products complex, other plants using wood products would be possible. The most likely place for these activities is Prince Albert.

A third major opportunity appears to lie in capitalizing on the world demand for protein by utilizing the province's large and rich agricultural resource base and its skilled labour force. Saskatchewan can produce wheat, feed grains, certain oil seeds and livestock. It is, however, in the production of inputs to agriculture and processing of the raw materials that most value added and new employment are generated. These general industries fall under the loose heading of agriculture-oriented activities.

In the seventies, agriculture-oriented activities could provide 1,500 to 2,000 new jobs for Saskatchewan. In addition, growth of feedlots could provide another 500 jobs. If food research and development activities were pursued a further 50 to 100 jobs might be created. As these developments happen there would be substantial increases throughout the province in service employment associated with agriculture-oriented activities.

Substantial opportunities exist in Saskatchewan, as in the rest of the prairies, in the livestock industry, particularly beef and pork. The demand for both these products is exceptionally strong and no saturation of the market is in sight. There is an ideal opportunity for Saskatchewan to develop industries centred around red-meat production at all stages from cow-calf operations, piggeries, feedlots and feed mills to packing, processing, hide plants and tanneries. Beef producers have already begun to expand herds and hog production has almost doubled in the last 10 years. If supplies continue to grow and stability of production, particularly for hogs, is achieved, packing plant capacity could be increased.

This will not be done quickly because there is now some over-capacity in the packing industry on the prairies. Major companies will wait to see the farmers' production response to improved wheat markets and the direction of federal policy on feed grains. Should these be favourable to livestock development investments in new plants, plant expansions and new product lines could be in the order of \$10-\$12 million, providing upwards of 1,100 new jobs over the next decade. Prince Albert, Saskatoon, Regina and Moose Jaw offer the best locations, although custom killing plants, feedlots and a limited number of feed mills could be widely dispersed in other centres in the province.

The development of vegetable oil crops provides another major possibility for expansion. To 1980, world demand for fats and oils is expected to increase 30 per cent.

Prospects are generally bright for the rapeseed industry. The demand for unprocessed rapeseed in the domestic market and Japan is strong and will remain stable so long as it is competitive in price. Demand elsewhere is likely to increase but could also be more sporadic. Western crushers have the capacity to double their present crush. Eastern (soybean) crushers may develop an excess capacity due to the possible decline of sales to the U.K. and because of continued displacement of soybean oil by rapeseed oil. In either case, eastern crushers may take a more active interest in rapeseed. Crushing capacity thus appears sufficient to meet the domestic demand plus any increase in foreign demand for oil in the short-term future.

Exports of oil to Japan, the U.S., or the E.E.C. are restricted because of relatively high tariffs. Countries around the Pacific Rim, in Central and South America, and India have expressed an interest in Canadian rapeseed oil. This market is very likely to develop but the pace of development is not clear. Refining capacity could be reached before

crushing capacity in the event of the expected increase in demand. If exports to the Pacific should develop rapidly, total Canadian refining capacity, while adequate, will be situated in the wrong part of the country for they are now concentrated in eastern Canada. Storage tanks on the west coast are being constructed by two different companies and should be able to handle anticipated exports in the short-term future. Storage facilities at Montreal are said to be adequate for the moment.

World output of rapeseed oil is expected to increase by 60 per cent with Canadian output forecast to increase by 165 per cent. Palm oil from Africa and Asia as well as oil from prairie grown sunflower seeds will provide increased competition for rapeseed oil during the next several years.

Possibilities also exist for the establishment of plants to extract oils from other specialized oil seed crops such as sunflower and mustard. Saskatchewan already is the major producer of rapeseed and has two oil seed plants. Positive steps taken in the next few years to develop this industry would result, over the decade, in new plants, and research and development activities largely located in Saskatoon, North Battleford and the northeast area. Care will have to be taken to ensure there is a co-ordinated approach in the prairie provinces to avoid large blocks of excess capacity at any one time.

Finally, some smaller opportunities exist in agriculture-oriented activities in commodities such as alfalfa cubing. Four or five new plants in the province located in the northeast, northwest and Outlook areas, each costing about \$750,000 and employing a labour force of approximately 10, are possible. Other examples are: investments of \$3-4 million in frozen food; \$2.0 million and 45 jobs in the creation of potato chips; and a flour and starch mill, macaroni, and malt plants probably in Saskatoon. The regionalization of milk quotas by the Canadian Dairy Commission has given Saskatchewan an opportunity to increase dairy manufacturing output. New co-operative plants are being built in Saskatoon and Yorkton and if milk supplies can be increased, there will be further possibilities for product expansion in cheese, and processed milk products. In addition, growth is possible in manufacturing opportunities to supply agricultural equipment, fertilizer, building materials and other agricultural supplies.

A number of miscellaneous manufacturing opportunities exist. These are not large, but in a province, and in certain communities, very short of new employment opportunities they are nevertheless significant. Some of these will be located in the larger cities; others can locate in other

communities throughout the province. These include transportation equipment, the manufacture of truck bodies and trailers, bulk grain and cattle haulers; they might generate 400 jobs over the next 10 years. There are opportunities for producing resin, raw plastic and PVC pipe belting (the latter to serve the potash industry). A possible location for these types of manufacturing is Saskatoon.

A similar location is likely for a high technological electrical components plant supplying Canadian and export markets. Some expansion of the fertilizer and chemical industry is foreseen. Other examples are bottles and sheet glass in Regina with 200 jobs and \$5.0 million capital investment; and spun concrete poles, and flumes in Moose Jaw to serve western Canadian and northern United States markets. Finally, manufacturers of garments, such as work clothes, jeans and sportswear have located in Saskatoon and Moose Jaw and could locate in Regina where large female labour pools are available; these firms are marketing in the region, the rest of Canada, U.S.A., and Europe.

In the larger towns throughout the province there are some small business opportunities (goods and services) which might expand. They include such things as machine shops, dairies, small woodworking plants, bottling plants and seed cleaning operations. Special development efforts need not concentrate on each particular industry but should be generally supportive of private initiative and community efforts to seek out and develop opportunities.

AREA OPPORTUNITIES

Just as a concerted effort for development of the potentials of each sector requires integration and new directions for key aspects of that industry, so development of an area requires integration across industry and with other activities within the area. Involvement at both levels is essential both to be effective and to ensure that systems serve people, not the other way around.

An evolving provincial economy provides a dynamic developmental framework to which areas or groups of communities across the province can relate their initiatives. While it cannot be argued categorically that there would be developmental opportunities in every major area, sufficient material has been gathered to indicate that lack of opportunity would be the exception rather than the rule. The likelihood of such opportunity increases substantially with deliberate action to initiate activity and to encourage the emergence of a dynamic well-serviced entrepreneurial capability.

It is only natural that many increased development opportunities will relate to major urban areas and secondary centres in the province. There is, however, a range of employment opportunities available to other secondary centres and to the smaller communities throughout the agricultural areas of the province.

As indicated earlier, major opportunities in steel and forest products may probably arise in key urban centres in Saskatchewan. On the other hand, opportunities in agricultural-oriented activities are more likely to occur in large towns throughout the province. In general any development is likely to reinforce both major urban centres and rural areas. Developments in urban centres probably could create spill-over effects in rural areas and may result in improved services in urban centres, many of which will also benefit rural areas. Opportunities which develop in rural areas are likely to create demands for specialized services not only in the immediate area but often in the main urban centres of the province.

The range of opportunities in the less urbanized areas varies, depending on the local resources and the area. They include agricultural processing, small resource-based manufacturing plants, local services, tourism and even some plants producing non-resource based products for a regional or national market.

A development effort for the more rural areas might focus not so much on the opportunities, since they vary with time and place, but on a flexible range of tools to bring them about (e.g. incentives, industrial research and intelligence, industrial infrastructure and community facilities).

A major effort for both social and economic development is required in the northern parts of the province. New economic opportunities in the north are limited. The key problem is social development and social adjustment for the people. While unemployment is high in the north, many jobs go to outsiders. Many of the people native to the north, largely those of Indian ancestry, lack the education, skills and experience to benefit from current economic and social development. Governments therefore need to provide assistance for improved health care, education, skills, upgrading, labour mobility, on-the-job training, communication and other such measures so that these people can avail themselves of opportunities. Assistance may also be required for some community and commercial infrastructure. Resource-based, local manufacturing and commercial and service activities could be encouraged.

EXCERPTS FROM MINISTERIAL STATEMENT¹

The economic circumstances and opportunities outlined in this paper and similar papers for other provinces and regions of Canada have been produced as part of the review of policies and programs carried out by the Department of Regional Economic Expansion over the past year. This review, and tentative policy approaches resulting from it, were discussed by the Honourable Don Jamieson, Minister of the Department of Regional Economic Expansion, in his opening statement to the Standing Committee on Regional Development of the House of Commons on April 10th. Following are excerpts from that statement:

....When the Department of Regional Economic Expansion was established in 1969, it was given a broad mandate to bring together a number of predecessor programs and to develop a much more comprehensive attack on regional economic disparities....The Department was quickly organized; it gave new impetus to the programs it inherited, notably those concerned with rural development; it introduced major new programs placing an increased emphasis on federal support for public investment in infrastructure as a means of developing selected urban centres and on federal financial incentives as a means of stimulating private investment in job-creating plant and equipment; it reinforced its initial momentum with subsequent initiatives, notably those providing for different kinds of development corporations in the Atlantic Region and for assistance to agricultural service centres in the Prairie Region; and it was provided by

¹ Statement prepared for delivery by the Honourable Don Jamieson, Minister of Regional Economic Expansion, to the Standing Committee on Regional Development of the House of Commons.

Parliament with authority to increase its expenditures from \$240 million in its first year to over \$500 million in its fourth year of operation....The bulk of its activity has been carried out under federal-provincial agreements, providing it with a unique and challenging experience with co-operative working arrangements between the two senior levels of Canadian government....

Because of new ground being broken in a complex and largely unexplored field, it was understood from the beginning, in the context of a long-term federal commitment to the basic objective, that a degree of experimentation would be required and that, with the passage of time and the accumulation of experience, modifications and even basic changes in Departmental policies and programs would have to be considered. This was reflected in a number of public statements. It was reflected also in some of the underlying law -- for example, in provisions of the Regional Development Incentives Act setting time limits on the periods during which applicant companies could bring projects into commercial production and remain eligible for payment of offered incentive grants.

Against this background, a decision was made last spring to undertake a major review of policies and programs. The provincial governments were informed of the decision and were assured that the results of the review would be the subject of consultation with them as soon as possible in 1973. I would like to make it clear that, until consultations with the provinces have been completed, no final conclusions about our findings will be drawn and no final decisions about basic changes in existing programs or major new initiatives will be made.

The review has been conducted in what I consider to be a very thorough manner. A large number of studies have been made, using staff drawn from different parts of the Department and other federal agencies and a variety of outside consultants. Quantities of valuable information have been sought and obtained from the provincial governments. And, particularly in the latter stages of the review, there has been a substantial amount of inter-departmental discussion in Ottawa.

Although a good deal of attention has been paid to existing programs, particularly RDIA, the review has been essentially forward-looking, concentrating heavily on analyses of regional economic circumstances and opportunities -- the types of analyses that, in our view, should make a valuable contribution to decision-making about ways and means of improving the effectiveness of federal-provincial efforts to reduce regional disparities and produce more balanced economic growth across Canada

In working with my officials, and in discussion with my colleagues, I have become increasingly impressed by the range of opportunities for economic development that exist in most parts of this country and by the large number of public policies and programs that bear, or could be brought to bear upon a concentrated effort to realize some of these opportunities. This is what has led me to speak publicly in recent weeks about the possibilities inherent in a "multi-dimensional approach" -- an approach that would call for the identification and pursuit of major developmental opportunities by means of the co-ordinated application of public policies and programs, federal and provincial, in cooperation where appropriate with elements of the private sector. I intend to explore this concept with the provincial governments and am prepared to consider its use as a basis for new federal-provincial initiatives in the field of regional development.

Application of the concept would require continuing analyses of regional and provincial economic circumstances and opportunities. As part of our own policy review, as I mentioned earlier in my statement, we have devoted most of our resources to analyses of this kind. Staff papers setting forth the results of our work have been prepared for the Atlantic Region and each of its four provinces, for Quebec and Ontario, for the Western Region, each of its four provinces and an area called the Western Northlands that was arbitrarily defined for analytical purposes.....

Although based on a fair amount of staff work, the opportunities [outlined in the papers] do not represent federal commitments or federal proposals

for provincial or regional developmental strategies. They are designed simply to illustrate the potential advantages of an approach to development based on the identification and coordinated pursuit of major developmental opportunities....

Let me be very clear on one point. Consideration of possible changes and new initiatives will in no way affect the determination of the Government to continue its efforts to reduce regional economic disparities in Canada. Our commitment to the basic objective stands firm and has indeed been intensified by the results of our policy review. What we are now seeking, what we will continue to seek, are ways and means of improving the methods used to produce greater, more satisfying and more productive employment opportunities in the slow-growth regions of the country.

....The results of our review suggest that, although there is room for improvement, as there always is, the programs are producing beneficial results at a reasonable cost. Present commitments under all these programs will of course be honoured. The programs themselves will be continued unless and until there are clear indications, arising from federal-provincial consultations, that the funds involved can be redirected in such a way as to increase the effectiveness of the overall effort.

The present programs tend to focus on particular factors in economic development, each of which is important, and to provide financial assistance related to those factors. Most notable are the incentives program which is designed to stimulate private capital investment in manufacturing and processing facilities, and the special areas program, which is designed to stimulate public capital investment in defined growth and service centres. I have no doubt that federal government support for capital investment in slow-growth areas will continue to be an important element in regional development policy. But it may be that available support for this factor can be made more productive if it is made more flexible, so that it can respond to developmental opportunities that do not fall neatly into the categories of secondary manufacturing investment and

special areas infrastructure investment. I will therefore be exploring with the provincial governments ways in which the staff and financial resources of my Department could be used more flexibly in a manner that would be even more responsive to variations, from region to region and province to province, in economic circumstances and opportunities.

....It is my tentative conclusion that optimum results in developing our slow-growth regions will require the coordinated application of policies and programs that bear upon specific opportunities. What I am contemplating is a continuing process whereby the federal and provincial governments could identify major developmental opportunities and pursue them together, endeavouring to use the relevant policy instruments available at both levels of government. DREE programs, marked by increased flexibility, would be among the relevant instruments.

Perhaps an example would help to illustrate the suggested approach. In parts of some slow-growth regions, the forests provide an important potential foundation for increased employment and production. At the present time, my Department can help to build on that foundation by assisting in studies of the resource base and the market possibilities and by providing incentives for private investment in wood-using processing and manufacturing facilities. But optimum results may depend on a wide variety of factors. Improved access to markets, involving trade and transportation policy, may be involved. Land tenure laws or practices may affect the situation. Special efforts in both the public and the private sector may be needed to avoid environmental damage. Existing storage and distribution facilities may represent an impediment. Community development may require support for both the planning and capital investment required to accommodate industrial facilities and provide a reasonable quality of life for workers in both woods and plant activities. Man-power training or mobility programs may be desirable or necessary. These are only some of the factors that could be involved in realizing a potential opportunity. In such circumstances, optimum results may call for concerted action by a number of organizations in the private sector and in the federal, provincial and municipal segments of the public sector.

The example may help to indicate why I am

suggesting a "multi-dimensional approach". It seems to me that such an approach could be developed over time as a means of strengthening the federal-provincial attack on regional disparities by focussing, in a manner consistent with national goals, on strategic opportunities for economic development in the regions of slow-growth throughout Canada. As I have already indicated, there appear to be many opportunities to expand employment and production in these regions in a manner that could contribute to total national wealth. It seems to me that, if properly developed, the suggested approach might attract the strong support of the private sector, which has been known to complain about the lack of government coordination in matters affecting economic development.

A good deal of thought has been given to the mechanisms that might be used to apply the concept, which would call for a high degree of interdepartmental coordination at both the federal and provincial levels of government. I think that appropriate mechanisms could be developed and I also think that, if the potential benefits to the Canadian people were demonstrable, the required degree of intergovernmental and interdepartmental coordination could be achieved.

The proliferation of public programs over the last twenty-five years has made improved government coordination a matter of some urgency in our society. I am not naive, however. I know that experience would suggest that coordination for its own sake, in the abstract, is difficult to achieve. But I am not talking about coordination in an abstract sense. I am talking about coordination in pursuit of limited and carefully defined objectives related to major developmental opportunities that have been identified jointly by the two senior levels of government. It seems to me that this kind of coordination should be regarded, not just as possible, but as something close to essential in this country.

I might mention in passing that, in planning the reorganization of the Department required to achieve the increased decentralization referred to in the Speech from the Throne, we are endeavouring to build in elements that would enable us to play an effective role in the development of a "multi-dimensional" approach to regional development in

Canada. Planning for the reorganization is now moving ahead quickly and I hope, before too long, to announce our intentions in more specific terms.

One final point. Today I have spoken at some length about a possible new approach to regional development. I am optimistic about its potential and I believe that, if it were to be applied as a basis for new initiatives, with the full support of the provincial governments, it might in time increase rather dramatically the effectiveness of the national effort to reduce disparities. But I am very conscious of the danger of raising expectations to unrealistic levels. The suggested approach could be a means of bringing about important improvements in federal-provincial cooperation in matters affecting economic development. It could be a means of moving us more rapidly toward important national goals. But I am not offering it as a panacea. I do not believe in instant solutions.

